

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company for Recovery of Costs related to the California Bark Beetle Infestation Under the Catastrophic Event Memorandum Account (CEMA).

Application 06-07-012
(Filed July 18, 2006)

**FINAL OPINION GRANTING SAN DIEGO GAS & ELECTRIC COMPANY
RECOVERY OF 2004-2006 BARK BEETLE COSTS****I. Summary**

This decision grants San Diego Gas & Electric Company (SDG&E) the authority it requests to recover the incremental costs incurred in 2004 – 2006 for Bark Beetle infestation.

II. Background

As a result of a prolonged drought in Southern California, combined with related insect infestations, tree mortality increased significantly in the mountainous areas of San Diego County. The high number of dead trees and the extreme fire conditions existing in these areas, prompted the Governor of California to declare a state of emergency on March 7, 2003. The counties most severely affected by the drought and the resulting insect infestations listed in the Governor's proclamation included San Diego, San Bernardino, and Riverside.

On September 21, 2004, SDG&E filed Advice Letter 1623-E for recovery of Bark Beetle related Catastrophic Event Memorandum Account (CEMA) costs for

the April 3, 2003 through August 31, 2004 period. Resolution E-3904 approved recovery, but required an application for subsequent periods.

SDG&E seeks Commission authority to recover approximately \$8.7 million of incremental Bark Beetle infestation related expenses it incurred and recorded to the CEMA for the period September 1, 2004 through June 30, 2006. Further, SDG&E seeks approval to recover such costs by offsetting the CEMA regulatory account with the 2006 and 2007 overcollected balance in its Tree Trimming Balancing Account (TTBA), to mitigate or eliminate a CEMA-related rate increase to SDG&E's electric distribution customers

Under the Commission's existing practices this proclamation allowed SDG&E to invoke the CEMA in accordance with Pub. Util. Code § 454.9, and Resolution E-3238 that allows a regulated utility an opportunity to recover any reasonable costs to address the event provided that the costs are incremental to existing allowances in rates.

Resolution E-3238 ordered that a CEMA could record costs for: "(a) restoring utility services to customers; (b) repairing, replacing or restoring damaged utility facilities; and (c) complying with governmental orders in connection with events declared disasters by competent state or federal authority." (Mimeo., p. 5.) The March 7, 2003 Bark Beetle declaration included a request: "... that the Public Utilities Commission direct utility companies with transmission lines in Riverside, San Bernardino and San Diego Counties to ensure that all dead, dying and diseased trees and vegetation are completely cleared from their utility right-of-ways to mitigate the potential fire danger."¹

¹ <http://gov.ca.gov/index.php?/archive/proclamations>.

Thus, the Bark Beetle CEMA responds to the requirement (c), above, to comply with a governmental order, to remove dead, dying and deceased trees and vegetation from utility right-of-ways.

III. Procedural History

Notice of this applications appeared in the Commission's Daily Calendar on July 24, 2006. The Division of Ratepayer Advocates, (DRA) filed a timely Response on August 22, 2006. The Commission preliminarily categorized the application as ratesetting with no hearings necessary, in Resolution ALJ 176-3177, dated August 24, 2006. On August 22, 2006, DRA filed and served a Response in lieu of a protest or testimony detailing the nature of its examination and conclusions. We affirm the determinations made in Resolution ALJ 176-3177.

The record in this proceeding is composed of all documents filed and served on parties. It also includes all testimony and exhibits received into evidence.²

IV. Scope and Issues

The purpose of this proceeding is to determine whether the costs expended in 2004 – 2006 responding to the Bark Beetles were reasonable and prudent.

² There was one exhibit received into evidence on the Administrative Law Judge's (ALJ) own motion – SDG&E's July 18, 2006 prepared testimony.

V. Standard of Review

The applicant alone bears the burden of proof to show that the rates it requests are just and reasonable and the related ratemaking mechanisms are fair.

A. Reasonable in Light of the Whole Record

We have reviewed the evidence in the record, considered the scope and thoroughness of the review by the only other active party, DRA, and find that the outcome is reasonable based on the record before us.

The August 22 Response informs us of DRA's review and conclusions for this proceeding:

DRA performed an examination of the CEMA expenses to identify whether the costs were incremental and reasonable. This examination included but was not limited to the following activities:

- Inquired of SDG&E staff and management about Bark Beetle control procedures used to mitigate the risk of improper inclusion of non-Bark Beetle expenses,
- Reviewed competitive bidding results determining vendor selection,
- Compared contracted rates to rates maintained in SDG&E's vendor management system,
- Compared hours recorded per field timesheets to amounts entered into SDG&E's vendor management system,
 - Tested expense transactions,
 - Tested reconciling entries, and
 - Reviewed the interest calculation.

Based on the results of these procedures, DRA found the costs incremental and SDG&E's request reasonable. DRA also considered SDG&E's request to offset the Bark Beetle Infestation expenses with the over-collected balance currently in the TTBA and found this to be reasonable. Therefore, DRA has no recommendations for disallowances.

This statement, whereby DRA stipulates that it believes SDG&E's costs are reasonable, in conjunction with our own review of SDG&E's application, allow us to find that SDG&E met its burden of proof and therefore, its 2004 - 2006 costs for the Bark Beetle CEMA are reasonable and prudent.

B. In the Public Interest

The Bark Beetle infestation was a highly destructive event and was a public nuisance. Therefore, any reasonable actions by SDG&E to safely and promptly preserve service are in the public interest. DRA's examination found SDG&E's actions to be acceptable and therefore DRA did not propose any ratemaking adjustments. We also find that DRA had the necessary sound and thorough understanding of the application to settle with SDG&E. Therefore, we find recovery of the 2004 - 2006 Bark Beetle costs is in the public interest.

VI. Comment on Draft Decision

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is being waived.

VII. Assignment of Proceeding

John A. Bohn is the Assigned Commissioner and Douglas M. Long is the assigned ALJ.

Findings of Fact

1. The SDG&E's application is uncontested because DRA has stipulated that SDG&E's CEMA practices and its 2004 - 2006 Bark Beetle activities were reasonable. There was no other active party.

2. SDG&E incurred the Bark Beetle costs in response to a declared state of emergency to remove dead, dying and deceased trees and regulation from utility right-of-ways.

3. DRA performed a sufficient review to have an informed basis for its opinion.

4. SDG&E's 2004 - 2006 costs for the Bark Beetle infestation were reasonable.

Conclusions of Law

1. The disaster declaration issued by the Governor constitute events declared to be a disaster by competent state or federal authorities for purposes of § 454.9.

2. Use of the CEMA for recording and recovering the costs incurred by SDG&E to address the 2004 - 2006 Bark Beetle infestation is appropriate under the statute and Resolution E-3238.

3. The costs incurred by SDG&E in response to the Bark Beetle were reasonable.

4. The recovery of the CEMA costs is in the public interest.
5. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The relief sought in Application (A.) 06-07-012 is granted. San Diego Gas & Electric Company (SDG&E) shall transfer the Bark Beetle Catastrophic Event Memorandum Account balance to the Tree Trimming Balancing Account.
2. No hearings are required for this proceeding.
3. A.06-07-012 is closed.

This order is effective today.

Dated _____, at San Francisco, California.